AUTO ITALIA HOLDINGS LIMITED
意達利控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 720)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The directors (the "Directors") of Auto Italia Holdings Limited (the "Company") hereby announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the Year ended 31 December 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000* (restated)
Continuing operations			
Revenue	*4*	**1,182,788**	1,190,230
Cost of sales		**(989,973)**	(984,298)
Gross profit		**192,815**	205,932
Other income	*5*	**19,081**	16,283
Other gains and losses	*6*	**617**	(2,815)
Selling and distribution costs		**(151,553)**	(137,061)
Administrative expenses		**(90,554)**	(82,166)
Finance costs	*7*	**(13,068)**	(15,604)
Loss before taxation		**(42,662)**	(15,431)
Taxation	*8*	**(2,437)**	(2,494)
Loss for the year from continuing operations	*9*	**(45,099)**	(17,925)
Discontinued operations			
Loss for the year from discontinued operations	*10*	**(10,563)**	(64,314)
Loss for the year		**(55,662)**	(82,239)

* *For identification purposes only*

	Note	2013 HK$'000	2012 HK$'000 (restated)
Loss for the year attributable to:			
Owners of the Company			
– from continuing operations		**(36,916)**	(14,629)
– from discontinued operations		**(11,126)**	(64,641)
Loss for the year attributable to owners of the Company		**(48,042)**	(79,270)
Non-controlling interests			
– from continuing operations		**(8,183)**	(3,296)
– from discontinued operations		**563**	327
Loss for the year attributable to non-controlling interests		**(7,620)**	(2,969)
		(55,662)	(82,239)
		HK$	*HK$*
Loss per share attributable to the owners of the Company	*11*		
From continuing and discontinued operations			
– Basic and diluted		**(1.62) cents**	(2.95) cents
From continuing operations			
– Basic and diluted		**(1.25) cents**	(0.54) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Loss for the year	**(55,662)**	(82,239)
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss:		
Reclassification adjustments relating to foreign operations disposed of during the year	**2,865**	–
Exchange differences arising on translation of foreign operations	**(5,588)**	1,706
	(2,723)	1,706
Item that will not be reclassified to profit or loss:		
Gain on property revaluation upon transfer to investment properties	**15,620**	–
Other comprehensive income for the year	**12,897**	1,706
Total comprehensive expense for the year	**(42,765)**	(80,533)
Total comprehensive expense attributable to:		
Owners of the Company	**(33,891)**	(77,429)
Non-controlling interests	**(8,874)**	(3,104)
	(42,765)	(80,533)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	31 December 2013 HK$'000	31 December 2012 HK$'000 (restated)	1 January 2012 HK$'000 (restated)
Non-current assets				
Property, plant and equipment		**45,207**	78,162	129,178
Investment properties		**44,700**	–	4,000
Goodwill	*12*	**2,480**	2,855	30,111
Intangible assets		**–**	5,400	5,400
Available-for-sale investments		**–**	252	9,552
Rental deposits		**10,531**	7,539	6,042
Deferred tax assets		**–**	194	118
		102,918	94,402	184,401
Current assets				
Inventories		**206,051**	416,577	300,995
Properties held for sale	*13*	**–**	30,070	30,070
Tax recoverables		**2,381**	–	–
Trade and other receivables	*14*	**38,695**	128,277	201,819
Loan receivables		**–**	6,086	15,811
Pledged bank deposits		**73,247**	151,603	134,000
Bank balances and cash		**269,387**	85,780	71,755
		589,761	818,393	754,450
Current liabilities				
Trade and other payables	*15*	**311,777**	382,260	406,272
Tax payable		**674**	123	52
Amount due to a related company	*16*	**26,000**	441	441
Bank and other borrowings		**186,322**	326,563	309,758
Obligations under finance leases		**149**	302	148
		524,922	709,689	716,671
Net current assets		**64,839**	108,704	37,779
Total assets less current liabilities		**167,757**	203,106	222,180

	31 December 2013 HK$'000	31 December 2012 HK$'000 (restated)	1 January 2012 HK$'000 (restated)
Capital and reserves			
Share capital	**59,189**	59,189	49,178
Reserves	**89,677**	123,568	138,131
Equity attributable to owners of the Company	**148,866**	182,757	187,309
Non-controlling interests	**8,718**	8,080	11,184
Total equity	**157,584**	190,837	198,493
Non-current liabilities			
Bank and other borrowings	**9,950**	11,577	23,251
Obligations under finance leases	**223**	679	423
Deferred tax liabilities	**–**	13	13
	10,173	12,269	23,687
	167,757	203,106	222,180

Notes:

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the import, marketing and distribution, and provision of after-sales services of luxury cars. During the year, the Group has disposed of certain subsidiaries which are principally engaged in the import, distribution and after-sales service of electrical appliances, distribution of fashion apparels and accessories and motor yacht ("Non-car Business") and these operations are presented as discontinued operations.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

Excepted as disclosed below, the application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC)-INT 12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. HKFRS 10 contains detailed guidance regarding whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee.

Specifically, the Group has a 49.8% ownership interest in China Premium Lifestyle Enterprise, Inc. ("CPLY") which has a wholly owned subsidiary CPMM (Asia) Limited ("CPMM"). CPLY is listed on OTC Bulletin Board in the United States of America. The Group's 49.8% ownership interest in CPLY gives the Group the same percentage of the voting rights in CPLY. The Group's 49.8% ownership interest in CPLY was acquired in July 2006 under a group reorganisation and there has been no change in the Group's ownership in CPLY since then. The remaining 50.2% of the ordinary shares of CPLY are owned by two individuals each holding not more than 15% and over 40 shareholders, none individually holding more than 6%.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over CPLY in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that it has had control over CPLY since the acquisition in July 2006 on the basis of the Group's absolute size of holding in CPLY and the relative size of and dispersion of the shareholdings owned by the other shareholders. Therefore, in accordance with the requirements of HKFRS 10, CPLY, together with its subsidiary, CPMM, have been subsidiaries of the Company since July 2006. Previously, CPLY was treated as an associate of the Group and accounted for using the equity method of accounting.

Comparative amounts for 2012 and the related amounts as at 1 January 2012 have been restated in accordance with the relevant transitional provisions set out in HKFRS 10 (see the tables below for details).

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Summary of the effects of the above changes in accounting policy

In accordance with the transitional provisions under HKFRS 10, the effects of changes in accounting policy described above on the results for the year ended 31 December 2012 are as follows:

Impact on loss for the year of the application of HKFRS 10

	Year ended 31 December 2012 *HK$'000*
Increase in administration expenses and loss for the year	(1,602)
Increase in loss for the year from continuing operations attributable to:	
Owners of the Company	(798)
Non-controlling interests	(804)
	(1,602)

	As at 1 January 2012 (originally stated) *HK$'000*	**HKFRS 10 adjustments** *HK$'000*	**As at 1 January 2012 (restated)** *HK$'000*	**As at 31 December 2012 (originally stated)** *HK$'000*	**HKFRS 10 adjustments** *HK$'000*	**As at 31 December 2012 (restated)** *HK$'000*
Trade and other receivables	201,818	1	201,819	128,275	2	128,277
Amounts due from associates	66,311	(66,311)	–	71,480	(71,480)	–
Bank balances and cash	71,754	1	71,755	85,780	–	85,780
Trade and other payables	(401,041)	(5,231)	(406,272)	(380,596)	(1,664)	(382,260)
Total effects on net assets	(61,158)	(71,540)	(132,698)	(95,061)	(73,142)	(168,203)
Accumulated losses	(11,242)	(62,144)	(73,386)	(89,714)	(62,942)	(152,656)
Non-controlling interests	20,580	(9,396)	11,184	18,280	(10,200)	8,080
Total effects on equity	9,338	(71,540)	(62,202)	(71,434)	(73,142)	(144,576)

Impact on cash flows for the year ended 31 December 2012:

	HKFRS 10 adjustments *HK$'000*
Increase in net cash inflow from investing activities	5,169
Decrease in net cash inflow from operating activities	(5,170)

Impact on basic and diluted loss per share from continuing and discontinued operations

	Year ended 31 December 2012 *HK cents*
Figure before adjustments	(2.92)
Adjustments from the impact of HKFRS10	(0.03)
Figure after adjustments	(2.95)

Impact on basic and diluted loss per share from continuing operations

	Year ended 31 December 2012 *HK cents*
Figure before adjustments	(0.51)
Adjustments from the impact of HKFRS10	(0.03)
Figure after adjustments	(0.54)

In the current year, the Group has also early applied the amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets in advance of its effective date.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has early adopted the amendments to HKAS 36 in advance of its effective date, 1 January 2014. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The application of HKAS 36 amendments has no impact to the financial position and performance of the Group.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[2]
HKFRS 9	Financial instruments[3]
HKFRS 14	Regulatory deferral accounts[5]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

The directors of the Company do not anticipate that the above new and revised HKFRSs will have a material effect on the Group's consolidated financial statements.

3. SEGMENT INFORMATION

During the year, the operating and reportable segments of "electrical appliances", "fashion apparels and accessories", "others" were discontinued. The segment information reported below does not include any amounts for these discontinued operations.

Accordingly, the information reported to the chief operating decision maker ("CODM"), being the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance, focuses on the remaining operating and reportable segment of "Cars", which represented trading of cars and related accessories and provision of car repairing services.

The CODM reviews the overall results of the Group as a whole, except for interest income, certain unallocated corporate expenses and finance costs, which is the measure of segment result. The accounting policies of this segment are the same as the Group's accounting policies.

Segment revenue and results

For the year ended 31 December 2013

	Consolidated *HK$'000*
SEGMENT REVENUE	
Group revenue – Cars	1,182,788
SEGMENT RESULTS	
Segment loss from continuing operations – Cars	(14,558)
Interest income	962
Unallocated corporate expenses	(15,998)
Finance costs	(13,068)
Loss before taxation from continuing operations	(42,662)

For the year ended 31 December 2012

	Consolidated *HK$'000* (restated)
SEGMENT REVENUE	
Group revenue – Cars	1,190,230
SEGMENT RESULTS	
Segment profit from continuing operations – Cars	10,128
Interest income	564
Unallocated corporate expenses	(10,519)
Finance costs	(15,604)
Loss before taxation from continuing operations	(15,431)

Segment assets and liabilities

At 31 December 2013

	Consolidated
	HK$'000
Assets	
Segment assets – Cars	303,030
Bank balances and cash	269,387
Pledged bank deposits	73,247
Unallocated corporate assets	47,015
Consolidated assets	692,679
Liabilities	
Segment liabilities – Cars	333,155
Bank and other borrowings	196,272
Unallocated corporate liabilities	5,668
Consolidated liabilities	535,095

At 31 December 2012

	Consolidated
	HK$'000
	(restated)
Assets	
Segment assets – Cars	442,118
Available-for-sale investments	252
Assets relating to discontinued operations	189,623
Loan receivables	6,086
Bank balances and cash	85,780
Pledged bank deposits	151,603
Unallocated corporate assets	37,333
Consolidated assets	912,795
Liabilities	
Segment liabilities – Cars	291,036
Liabilities relating to discontinued operations	89,083
Bank and other borrowings	338,140
Unallocated corporate liabilities	3,699
Consolidated liabilities	721,958

For the purpose of monitoring segment performance and allocating resource between segment:

– all assets are allocated to operating segment other than corporate assets, bank balances and cash and pledged bank deposits;

– all liabilities are allocated to operating segment other than corporate liabilities and bank and other borrowings.

Other segment information

For the year ended 31 December 2013

Continuing operations:

	Cars	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Amounts included in the measure of segment result or segment assets			
Addition of property, plant and equipment	36,155	216	36,371
Depreciation of property, plant and equipment	(19,317)	(1,775)	(21,092)
Gain on disposal of property, plant and equipment	1,023	–	1,023
Impairment losses on trade and other receivables	(3,208)	(3,214)	(6,422)
Allowance for inventories			
– People's Republic of China ("PRC")	(26,200)	–	(26,200)
– Hong Kong	(2,571)	–	(2,571)
Impairment losses on goodwill	(308)	–	(308)

For the year ended 31 December 2012 (restated)

Continuing operations:

	Cars	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Amounts included in the measure of segment result or segment assets			
Addition of property, plant and equipment	19,631	3,073	22,704
Depreciation of property, plant and equipment	(16,865)	(1,354)	(18,219)
Loss on disposal of property, plant and equipment	(409)	–	(409)
Allowance for inventories			
– Hong Kong	(549)	–	(549)
Impairment losses on trade and other receivables	(1,502)	–	(1,502)

Information about major customers

No revenue from customers contributing over 10% of total revenue of the Group from continuing operations for both years.

Geographical information

The Group's continuing operations are mainly located in Hong Kong, Mainland China and Macau. The following table provides an analysis of the Group's revenue by location of customers, irrespective of the origin of the goods/services:

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Hong Kong	**770,179**	821,057
Mainland China	**412,609**	369,173
	1,182,788	1,190,230

The following is an analysis of the carrying amount of non-current assets (excluding deferred tax assets and financial instruments) analysed by the geographical area in which the assets are located:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**87,375**	84,638
Singapore	**–**	697
Malaysia	**–**	635
Mainland China	**15,543**	7,986
	102,918	93,956

4. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Sales of goods to customers, less returns and discounts	**1,035,842**	1,050,693
Maintenance service income	**146,946**	139,537
	1,182,788	1,190,230

5. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Commission income	**3,343**	3,481
Interest income	**962**	564
Dividend income	**–**	4,409
Subsidies income from suppliers	**7,362**	3,270
Others	**7,414**	4,559
	19,081	16,283

6. OTHER GAINS AND LOSSES

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Impairment losses on goodwill	**(308)**	–
Impairment losses on trade and other receivables, net	**(6,422)**	(1,502)
Net foreign exchange gains (losses)	**6,324**	(904)
Gain (loss) on disposal of property, plant and equipment	**1,023**	(409)
	617	(2,815)

7. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Interests on bank and other borrowings		
– wholly repayable within five years	**12,825**	15,288
– wholly repayable after five years	**232**	275
Interest on finance leases	**11**	41
	13,068	15,604

8. TAXATION

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Current tax		
Hong Kong	**53**	2,023
Other jurisdictions	**1,214**	451
	1,267	2,474
Under (over) provision in prior years		
Hong Kong	**1,215**	20
Other jurisdictions	**(45)**	–
	1,170	20
	2,437	2,494

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the both years and the service income for the non-PRC subsidiary with permanent establishment in the PRC is subject to deemed profit tax rate of 20%.

9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2013 *HK$'000*	2012 *HK$'000* (restated)
Loss for the year from continuing operations has been arrived at after charging:		
Auditor's remuneration	**1,867**	2,742
Depreciation of property, plant and equipment	**21,092**	18,219
Staff costs:		
Directors' emoluments	**6,494**	4,371
Salaries and allowances	**72,677**	67,907
Retirement benefits scheme contributions	**2,712**	2,896
	81,883	75,174
Cost of inventories recognised as expense	**989,973**	984,298
Allowance for inventories (included in cost of inventories)	**28,771**	549
Operating lease payments in respect of rented properties	**54,620**	46,114

10. DISCONTINUED OPERATIONS

On 23 October 2013, the Company signed a disposal agreement with Victor Glory Holdings Limited (the "Purchaser"), to dispose the entire issued share capital of Wo Kee Hong (B.V.I.) Limited ("WKH (BVI)"), a wholly owned subsidiary of the Company, at a consideration of HK$112,574,000. The disposal was completed on 30 December 2013. WKH (BVI) and its subsidiaries are principally engaged in the import, distribution and after-sales service of electrical appliances, distribution of fashion apparels and accessories and motor yacht and these operations were also discontinued accordingly.

The Purchaser is a company incorporated in the Cayman islands with limited liability which is wholly and beneficially owned by Dr. Richard Man Fai Lee, a substantial shareholder and an executive director as at 23 October 2013, who subsequently resigned as a director on 24 October 2013 and ceased to be substantial shareholder on 12 November 2013 after completion of the placing of his shares in the Company to independent placees.

The loss for the year from discontinued operations is set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the Non-car Business as discontinued operations.

	2013 *HK$'000*	2012 *HK$'000*
Loss of Non-car Business for the year	**(10,031)**	(64,314)
Loss on disposal of Non-car Business	**(532)**	–
	(10,563)	(64,314)

The results of the discontinued operations included in the loss for the year are set out below.

	2013	2012
	HK$'000	*HK$'000*
Loss for the year from discontinued operations is analysed as follows:		
Revenue	**363,754**	317,171
Cost of sales	**(269,716)**	(228,748)
Other income and expenses	**5,181**	3,584
Other gains and losses	**(8,301)**	(44,674)
Selling and distribution costs	**(47,795)**	(48,110)
Administrative expenses	**(49,535)**	(57,884)
Finance costs	**(3,312)**	(5,233)
	(9,724)	(63,894)
Taxation	**(307)**	(420)
Loss for the year from discontinued operations	**(10,031)**	(64,314)

11. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Loss		
Loss for the year attributable to owners of the Company and loss for the purpose of basic and diluted loss per share	**(48,042)**	(79,270)

	2013	2012
	Number of shares	Number of shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,959,452,260**	2,685,140,988

No diluted loss per share for both continuing and discontinued operations has been presented for the years ended 31 December 2013 and 2012 because the assumed conversion of the share options would result in reduction in loss per share.

From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Loss for the year attributable to owners of the Company	**(48,042)**	(79,270)
Less: Loss for the year from discontinued operations	**(11,126)**	(64,641)
Loss for the purposes of calculating basic and diluted loss per share from continuing operations	**(36,916)**	(14,629)

The denominators used are the same as those detailed above for basic and diluted loss per share from continuing and discontinued operations.

From discontinued operations

Basic and diluted loss per share from discontinued operations is HK0.38 cents (2012: HK2.41 cents), based on the loss for the year from discontinued operations of HK$11,126,000 (2012: HK$64,641,000) and the denominators detailed above for both basic and diluted loss per share from continuing and discontinued operations.

12. GOODWILL

	HK$'000
Cost	
At 1 January 2012 and 31 December 2012	33,379
Disposal of subsidiaries	(30,591)
At 31 December 2013	2,788
Impairment	
At 1 January 2012	3,268
Impairment loss recognised in the year	27,256
At 31 December 2012	30,524
Impairment loss recognised in the year	308
Disposal of subsidiaries	(30,524)
At 31 December 2013	308
Carrying Values	
At 31 December 2013	2,480
At 31 December 2012	2,855

13. PROPERTIES HELD FOR SALE

	HK$'000
Cost at 1 January 2012 and 31 December 2012	30,070
Disposal	(30,070)
At 31 December 2013	–

The Group's properties held for sales were stated at cost less impairment. At 31 December 2012, the Group's properties held for sales were pledged as security for bank borrowings. On 17 December 2012, the Group entered into sales and purchase agreement with independent third party for the disposal of the properties held for sale at a total consideration of RMB24,790,000 (equivalent to HK$30,497,000). The transaction was completed in March 2013.

14. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Trade receivables	**12,845**	73,237
Less: Allowance for doubtful debts	**(2,001)**	(3,770)
	10,844	69,467
Purchase deposits	**9,922**	10,646
Utility and rental deposits	**2,046**	7,559
Prepayments and other receivables	**15,883**	40,605
	38,695	128,277

Trade receivables

The Group allows its trade customers an average credit period of 90 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**3,751**	36,707
31 to 60 days	**4,157**	18,142
61 to 90 days	**649**	6,608
91 days to 1 year	**2,258**	7,058
Over 1 year	**29**	952
	10,844	69,467

Ageing of trade receivables which are past due but not impaired:

	2013	2012
	HK$'000	*HK$'000*
91 days to 1 year	**2,258**	7,058
Over 1 year	**29**	952
	2,287	8,010

15. TRADE AND OTHER PAYABLES

Trade and other payables comprise amounts outstanding for trade purposes and daily operating costs. The average credit period on purchase of goods is 30 – 90 days. The following is an aged analysis of trade and bills payables presented based on invoice date at the end of the reporting period.

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Within 30 days	**23,377**	57,613
31 to 60 days	**1,091**	6,775
61 to 90 days	**234**	1,358
91 days to 1 year	**31**	834
Over 1 year	**749**	2,464
Trade and bills payables	**25,482**	69,044
Deposits received from customers	**201,529**	165,341
Advance payments from customers	**44,886**	65,883
Accrued charges	**20,421**	16,037
Other payables	**19,459**	65,955
	311,777	382,260

16. AMOUNT DUE TO A RELATED COMPANY

On 16 July 2013, Auto Italia Limited ("AIL"), an effectively 75.4%-owned subsidiary of the Company, as borrower entered into a loan note with VMS Investment Group Limited ("VMSIG") as lender in relation to a revolving loan facility in the amount of HK$26 million ("Revolving Loan"). VMSIG is interested in approximately 23.81% of the issued share capital of the Company as at 31 December 2013. The Revolving Loan was unsecured and non-interest bearing. AIL shall notify VMSIG a proposed date of repayment for each drawdown which may be extended by VMSIG at its sole discretion at the request of AIL. The proceeds of the Revolving Loan was used to finance partially the purchase of the anticipated increase in scheduled delivery of new cars in the coming months as well as for the general working capital of car business of the Group. On 28 August 2013, AIL had drawn down the amount of HK$26,000,000 which was fully repaid on 17 January 2014.

17. **EVENT AFTER THE REPORTING PERIOD**

On 7 March 2014, the Company entered into an agreement with a placing agent for a private placement to not less than six independent investors of 500,000,000 shares of HK$0.02 each in the Company, at a price of HK$0.125 per share.

The net proceeds from the placement of approximately HK$60,830,000 will be used as general working capital of the Group. The placement was completed on 20 March 2014.

DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2013 (2012: Nil), nor has any dividend been proposed since the end of the reporting period (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2013, the Group's revenue from continuing operations was HK$1,182.8 million, representing a slight decrease of 0.6% as compared to HK$1,190.2 million in 2012.

Cost of Sales and Gross Profit

Gross profit margin from continuing operations in 2013 recorded a decrease from 17.3% in 2012 to 16.3%. Accordingly, our gross profit was decreased from HK$205.9 million in 2012 to HK$192.8 million in 2013. The decrease of HK$13.1 million was mainly caused by the inclusion in cost of sales of a one-off impairment loss on inventories of HK$26.2 million as the Company has decided to close down its car dealership business in Nanjing, the PRC in the first half of 2014. Excluding this one-off impairment loss, the gross profit margin would be 18.5%, a 1.2 percentage point increase as compared to 2012's.

Other Income

For the year ended 2013, other income from continuing operations amounted to HK$19.1 million (2012: HK$16.3 million). The net increase of HK$2.8 million was mainly contributed by the increase in subsidies income from our suppliers.

Other Gains and Losses

Other gains and losses from continuing operations amounted to a net gain of HK$0.6 million (2012: loss of HK$2.8 million) which included net foreign exchange gain of HK$6.3 million, gain on disposal of property, plant and equipment of HK$1 million but partially offset by an impairment of trade and other receivables of HK$6.4 million and goodwill of HK$0.3 million.

Selling and Distribution Costs and Administration Expenses

Selling and distribution costs and administrative expenses from continuing operations in 2013 aggregated to HK$242.1 million (2012 restated: HK$219.2 million), which accounted for 20.5% (2012 restated: 18.4%) of revenue. This increase of HK$22.9 million was mainly due to increase in costs of rental, marketing expenses which included the cost of hosting the event "Ferrari's 30th Anniversary with Auto Italia in Hong Kong" and depreciation by HK$8.5 million, HK$3.2 million and HK$2.9 million, respectively.

Finance Costs

Finance costs from continuing operations in 2013 were reduced by 16.3% to HK$13.1 million (2012: HK$15.6 million).

Disposal of Non-car Business

On 30 December 2013, the Group completed the disposal of its electrical appliances, fashion apparels accessories and motor yacht business ("Non-car Business") at a consideration of approximately HK$112.6 million. The Group recorded a slight loss on disposal of Non-car Business amounted to HK$0.5 million. The loss on disposal together with the operating loss of Non-car Business of HK$10.0 million was recorded as loss from discontinued operations in the Group's consolidated statement of profit or loss.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company for the year ended 31 December 2013 was HK$48.0 million (2012: loss of HK$79.3 million).

FINANCIAL POSITION

Liquidity and financial resources

The Group has been financed by a combination of its equity capital base, cash flow generated from operations and bank borrowings.

Cash and cash equivalents (including pledged bank deposits) at 31 December 2013 were HK$342.6 million (2012: HK$237.4 million). A net cash inflow of HK$199.0 million (2012: HK$32.6 million) was generated in 2013 which represented a net cash inflow from operating activities of HK$130.0 million, investing activities amounted to HK$116.5 million, and partially offset by net cash used in financing activities of HK$47.5 million.

The Group's total borrowings, including an amount due to a substantial shareholder of HK$26 million, at 31 December 2013 amounted to HK$222.3 million (2012: HK$338.1 million), which included long term borrowings of HK$10.0 million (2012: HK$11.6 million).

As at 31 December 2013, the Group maintained a net cash position of HK$120.3 million (2012: net cash deficit of HK$100.7 million). The current ratio was 1.12 (2012: 1.15), based on current assets of HK$589.8 million (2012 restated: HK$818.4 million) and current liabilities of HK$524.9 million (2012 restated: HK$709.7 million).

The Group had trading facilities at 31 December 2013 amounting to HK$410.8 million (2012: HK$452.4 million) of which HK$243.7 million (2012: HK$438.7 million) was utilized.

Foreign Exchange Risk Management

The Group's purchases are mainly conducted in HK Dollar, Renminbi and US Dollar whilst sales are mainly conducted in HK Dollar and Renminbi. The fluctuation of Renminbi during the year did not have any material adverse effect on the Group's results. In addition, the Group will conduct periodic review of its exposure to foreign exchange risk.

Pledge of Assets

Certain of the Group's properties, inventories, cash deposits and all assets of certain subsidiaries were pledged as at 31 December 2013 in an aggregate amount of HK$176.0 million (2012: HK$395.6 million) to secure loans and facilities granted.

Capital Commitments and Contingent Liabilities

The Group had no capital commitments as at 31 December 2013 (2012: HK$4.5 million). The Group had no material contingent liabilities as at 31 December 2013 and 2012.

HUMAN RESOURCES

As at 31 December 2013, after the disposal of Non-car Business, the total number of employees of the Group was 211 (2012: 431).

The management is committed to continuous staff training and development to ensure the standard of our employees remains competitive in the marketplace. Leadership training seminars for our managerial and supervisory staff were conducted during the year to enhance their skills and spirits of co-operation. We are confident that our employees will continue to grow with the business and contribute their best to the Group.

EVENTS AFTER THE REPORTING PERIOD

Repayment of loan from VMS Investment Group Limited

On 16 July 2013, Auto Italia Limited ("AIL"), an effectively 75.4%-owned subsidiary of the Company, as borrower entered into a loan note with VMS Investment Group Limited ("VMSIG") as lender in relation to a revolving loan facility in the amount of HK$26 million ("Revolving Loan"). VMSIG is interested in approximately 23.81% of the issued share capital of the Company as at 31 December 2013. The Revolving Loan was unsecured and non-interest bearing. Pursuant to the terms of the Revolving Loan, AIL shall notify VMSIG a proposed date of repayment for each drawdown which may be extended by VMSIG at its sole discretion at the request of AIL. The proceeds of the Revolving Loan was used to finance partially the purchase of the anticipated increase in scheduled delivery of new cars in the coming months as well as for the general working capital of car business of the Group. On 28 August 2013, AIL had drawn down the loan amount of HK$26 million which was fully repaid on 17 January 2014.

Share Placement

On 7 March 2014, arrangements were made for a private placement to not less than six independent investors of 500,000,000 shares of HK$0.02 each in the Company, at a price of HK$0.125 per share (the "Placing") representing a discount of approximately 13.79% to the closing market price of the Company's share on 7 March 2014.

The net proceeds from the Placing of approximately HK$60.8 million will be used as general working capital of the Group. These new shares were issued under the mandate granted to the Directors at the special general meeting of the Company held on 30 December 2013 and rank pari passu with other shares in all respects.

The Placing was completed on 20 March 2014.

BUSINESS REVIEW

Continuing Operations

Luxury Cars

Ferrari

Unit sales of Ferrari had dropped 13.5% in 2013 as compared to 2012. This was due to fewer units of cars allocated and delivered to our Hong Kong operation from the factory.

2013 marked the year of the launch of Ferrari's successor to the much admired, limited series car known as the Enzo. The new car's name was announced as "LaFerrari", and the factory has planned to produce in a very limited edition for the world up to the end of 2015. Customers from Hong Kong and Macau have expressed great interest in this new car with demand far outstripping supply, despite a pre-tax price of US$1.35 million. The allocation of the Group remains confidential but represented a big step forward from its quota of 11 units of Enzo 10 years ago.

Maserati

Maserati sales performed well in 2013. Unit sales increased significantly by 62.2% as compared to 2012.

Demand for Maserati's two-door range of coupes and convertibles remains relatively high given the condition of the local car market and the aggressive sales approach of many competitors.

The final six (run-out) Quattroportes (Maserati's four-door saloon) were delivered early in the year in preparation for the arrival of the sixth generation which was launched in the Hong Kong market at the end of 2012. The first left-hand-drive display car started to arrive in Hong Kong in the spring of 2013 and cars were delivered to Macau in late of June 2013. The first right-hand-drive display car for the Hong Kong market arrived in the third quarter of 2013.

On the other hand, during the year, the Company was preparing for the arrival of the new Maserati Ghibli S, the brand's first mid-sized luxury sports sedan. It was eventually launched in the Hong Kong market early 2014 to high acclaim.

After-sales Service

Workshop service revenue for the full year grew by 5.3% to HK$146.9 million as compared to 2012. This was primarily due to a continuing increase in servicing in our pre-delivery inspection center in Shanghai, the PRC.

Discontinued Operations

On 30 December 2013, the Group completed the disposal of Non-car Business. The operating loss for the year from Non-car Business amounted to HK$10.0 million (2012: Loss of HK$64.3 million).

OUTLOOK

Following the completion of the disposal of the Non-car Business on 30 December 2013, the Group has re-assessed its existing business strategies in import, distribution and after-sales service of Ferrari and Maserati cars in Hong Kong, Macau and Nanjing, the PRC, and its pre-delivery inspection service in Shanghai, the PRC. Subsequent to the strategic review, the Board has decided to close down its Nanjing dealership business in the second half of 2014, as the sales performance of it was not satisfactory and suffered heavy operating losses in the past five years. The strategic repositioning offers a good opportunity for the Group to redeploy its resources into the profitable premium car distribution business which is expected to help strengthen this business segment and create value for our shareholders. As such, the Group will focus continuously on the business of import, distribution and after-sales service of Ferrari and Maserati cars in Hong Kong and Macau as well as the pre-delivery inspection service in Shanghai, the PRC.

Looking forward, the Group's order portfolio for Ferrari continues to remain strong with an average overall lead-time of around a year. A new model, the 458 Speciale, expected to be launched in the second quarter of 2014, has added fresh impetus. In addition, the first deliveries of Ferrari's next 'Supercar', the LaFerrari, will begin in the second quarter of 2014. Although the car has a retail price of US$1.35 million, the growing number of car collectors in Hong Kong has ensured that the Group has achieved a relatively high allocation of this limited series model.

Maserati's profile continues to increase and the brand is currently achieving an overall segment share of 8%. The Maserati Ghibli represents yet another new model but it has been designed for the mid-sized luxury sports sedan. Smaller and priced to compete in a much larger part of the market, the Group forecasts a significant level of penetration in market segment. We successfully held a Maserati Ghibli launch party in January 2014, which was well received by our VIP customers and the public. We see accumulating orders of this model in our order book.

To cope with the high volume of Ferrari and Maserati new car deliveries starting from the third quarter of 2014, the after-sales service expansion project is on its way to enhance our existing service capacity. In addition, a state of the art new service center in Hong Kong Island is expected to be ready for operation in 2015 in order to cater for high market demand with the increase of unit in operation. Our objective is always to ensure high customer satisfaction which is the key to success nowadays in the service sector.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2013, the Company and its subsidiaries have not repurchased, sold or redeemed any of the Company's securities.

CORPORATE GOVERNANCE

Maintaining an effective corporate governance framework is one of the priorities of the Company. In the opinion of the Directors, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2013, except Code Provisions A.2.1 and A.6.7 of the CG Code.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr. Lee Man Fai Richard was the Executive Chairman and the Chief Executive Officer of the Company until he resigned from such positions of the Company with effect from 24 October 2013. Subsequently, Mr. Chong Tin Lung Benny, has been re-designated as the Executive Chairman and was appointed as the Chief Executive Officer of the Company with effect from 24 October 2013. Mr. Chong has extensive experience in corporate management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The Board considers that vesting of two roles in the same person provides our Group with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategy. The Company shall nevertheless review the structure from time to time in light of the prevailing circumstances.

In respect of Code Provision A.6.7 of the CG Code, due to other engagements, two Independent Non-executive Directors (the "INEDs") were unable to attend the annual general meeting of the Company held on 30 May 2013; one INED was unable to attend the special general meeting of the Company held on 11 December 2013; and two INEDs were unable to attend the special general meeting of the Company held on 30 December 2013.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, during the year ended 31 December 2013, the Directors confirmed that they have complied with the standards set out in the Model Code.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2013 including the accounting principles and practices adopted by the Group, and discussed the internal control and financial reporting matters during the review.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 31 March 2014, the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited (the "Branch Share Registrar"), will change its address from 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held on 21 May 2014. For details of the AGM, please refer to the notice of AGM, which will be despatched to the Shareholders in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is available for viewing on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website (www.autoitalia.com.hk). The annual report will be despatched to the Shareholders and published on the above websites in due course.

By Order of the Board
Auto Italia Holdings Limited
Chong Tin Lung Benny
Executive Chairman and Chief Executive Officer

Hong Kong, 25 March 2014

As at the date of this announcement, the Board comprises Mr. Chong Tin Lung Benny (Executive Chairman and Chief Executive Officer), Mr. William Keith Jacobsen and Mr. Lam Chi Yan, all of whom are executive Directors; and Mr. Tan Boon Seng, Dr. Antonio Maria Santos and Mr. Kong To Yeung Frankie, all of whom are independent non-executive Directors.